

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA

C O N F I D E N T I A L STATE 287641

E.O. 11652: N/A

TAGS: EFIN, CG

SUBJECT: IMF MISSION TO ZAIRE

1. REPRESENTATIVES FROM STATE, TREASURY AND EXIMBANK DISCUSSED ZAIRE SITUATION WITH IMF COUNTRY DIRECTOR RUSSO PRIOR TO THE LATTER'S DEPARTURE FOR KINSHASA. RUSSO IS SCHEDULED TO ARRIVE KINSHASA NOVEMBER 29 FOR APPROXIMATE TWO WEEK STAY FOR PURPOSE OF CONSULTATIONS WITH GOZ RESULTING FROM GOZ REQUEST FOR NEW IMF STAND-BY.

2. RUSSO STRESSED DIFFICULTIES ENTAILED IN REACHING AGREEMENT WITH GOZ, NOTING MUCH WILL DEPEND ON POLITICAL WILL OF GOZ TO ACCEPT IMF CONDITIONS. UNLIKE FIRST CREDIT TRANCHE, WHICH REQUIRED GOZ STATEMENT OF INTENT, A SECOND TRANCHE WILL REQUIRE SPECIFIC GOZ COMMITMENTS WHICH IF NOT IMPLEMENTED COULD PREVENT GOZ DRAW-DOWN OF AVAILABLE TRANCHE FUNDS.

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3. IMF TEAM WILL NEED GREATER DETAILS ON SITUATION IN ZAIRE BEFORE DECIDING ON THE CONDITIONS THEY WILL ATTACH TO THE SECOND TRANCHE DRAWING. IT IS CLEAR HOWEVER THAT IMF IS VERY CONCERNED WITH FAILURE OF ZAIRIAN ECONOMY TO REVIVE, AND WILL BE LOOKING AT WAYS OF ENSURING GREATER AVAILABILITY OF RAW MATERIALS AND SPARE PARTS SUFFICIENT TO PERMIT NEW GROWTH. IMF IS ALSO CONCERNED ABOUT APPARENT DECLINES IN BOTH AGRICULTURE AND COPPER PRODUCTION.

4. GROUP DISCUSSED APPARENT GOZ FAILURE TO COMPLY WITH ITS COMMITMENT TO CURTAIL EXPENDITURES ON NON-PRIORITY PROJECTS. (WHILE FRENCH SATELLITE CONTRACT NOT MENTIONED SPECIFICALLY, IT WAS CLEARLY THE PRIMARY ITEM ON EVERYONE'S MIND). IMF WILL ASK GOZ FOR LIST OF NON-PRIORITY CONTRACTS IT HAS CANCELLED, AS WELL AS DISCUSS THE PRIORITY OF ANY NEW PROJECTS IT HAS ENTERED INTO. IMPRESSION WAS CLEAR THAT IMF WILL BE RAISING SATELLITE CONTRACT IN ITS DISCUSSIONS WITH GOZ, ALTHOUGH RUSSO INDICATED THAT FUND WOULD NOT EVALUATE THE PRIORITY NATURE OF INDIVIDUAL PROJECTS IN ANY STAND-BY. RUSSO FELT GOZ WEAKNESS IN RESOURCE ALLOCATION WAS A GENERAL PROBLEM THAT TRANSCENDED ANY INDIVIDUAL PROJECT.

5. RUSSO CONCLUDED PRESENTATION AND DISCUSSION BY CAREFULLY NOTING THAT "THE SUCCESSFUL CONCLUSION OF A NEW STAND-BY ARRANGEMENT WAS BY NO MEANS A FOREGONE CONCLUSION".

6. GIVEN IMMINENT ARRIVAL OF IMF TEAM AND AMBASSADOR'S RECENT AND TIMELY RAISING OF PRIORITY PROJECTS ISSUE WITH PRESIDENT MOBUTU (KINSHASA 9813) WE ARE NOW INCLINED TO POSTPONE ANY DIRECT APPROACH TO GOZ ON FRENCH DOMESTIC SATELLITE CONTRACT. IMF TEAM EXPECTS TO COMPLETE NEW STAND-BY AGREEMENT DISCUSSIONS IN KINSHASA IN ABOUT TWO WEEKS. BY THEN USG PROPOSED BILATERAL AGREEMENT SHOULD BE READY FOR PRESENTATION TO GOZ (DETAILS ON INTEREST RATE TO BE CHARGED STILL UNDER NEGOTIATION AMONG CONCERNED AGENCIES). EMBASSY WILL PRESUMABLY BE IN CLOSE CONTACT WITH IMF TEAM AND USG INTERVENTION WITH GOZ ON THE SATELLITE ISSUE CAN BE DECIDED UPON AS WE LEARN OF GOZ REACTION

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TO IMF CONCERN. ROBINSON

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